

# Demystifying the Single Audit Requirement for Provider Relief Funds

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WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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# Welcome

- Thank you to all of you for joining us
- To those in the health care industry, thank you for your work and the impact you are making! What all of you do is helping your patients, residents, families, employees and the communities you all live and work in
- As you all are experiencing there are many unknowns we are all dealing with right now
- Our goal is to assist you in understanding what we do know, provide you with tips and insights that are informational, and how we may be help make your lives a bit easier

# Objectives

- Provider Relief Fund Single Audit Considerations
- Audit and Reporting Options
- Single Audit and Program Audit Requirements
- Latest updates on terms, conditions, FAQs from HHS
- Questions

# COVID-19 Funding Single Audit Requirements

- Many COVID-19 Programs will be subject to Single Audit
- Specific Programs impacting healthcare (not comprehensive)
  - Provider Relief Fund (HHS) – CFDA 93.498
  - Disaster Assistance Loans (Economic Injury Disaster Loans, SBA) CFDA 59.008
  - Uninsured COVID Testing and Treatment (HHS) – CFDA 93.461
  - Grants for New and Expanded Services Under the Health Center Program (HHA) – CFDA 93.527
  - Emergency Grants to Address Mental and Substance Use Disorders During COVID-19 (HHS) CFDSA 93.665
  - Rural Health Clinic Testing (HHS) – CFDA 93.697

# COVID-19 Funding Single Audit Requirements

- Funding Not Subject to Single Audits
  - Payroll Protection Program Loans
  - Medicare Accelerated and Advanced Payment Program
- AICPA Government Audit Quality Center
  - Summary of UG Applicability for New COVID-19 Federal Programs

[www.aicpa.org/interestareas/governmentauditquality/resources/singleaudit/uniformguidanceforfederalrewards.html#COVID](https://www.aicpa.org/interestareas/governmentauditquality/resources/singleaudit/uniformguidanceforfederalrewards.html#COVID)

# What is a Single Audit?

- Audit of financial statements
- Obtain an understanding and perform testing of internal controls
- Testing of compliance with terms and conditions of federal awards that have a direct and material effect on each major program
- Subject to three layers of audit requirements
  - Generally Accepted Audit Standards (GAAS)
  - General Accepted Government Audit Standards (GAGAS) – Yellow Book
  - Uniform Guidance

# What is a GAGAS (Yellow Book) Audit?

- In accordance with Government Auditing Standards
- Consideration of internal controls over financial reporting
  - Material Weaknesses
  - Significant Deficiencies
- Testing of compliance with laws and regulations
- Additional independence requirements
- Requires specific continuing education for auditors
- Includes additional required communication



# Objectives of a Single Audit

- To determine if the entity has complied with direct and material compliance requirements of each major programs
  - Used by federal agencies to review program compliance
  - Auditor provides opinion regarding compliance
  - Auditor reports on controls over compliance
  - Used to find and address problems with grantees

# Compliance Areas

Allowable  
activities and  
costs

Indirect costs

Cash  
management

Eligibility

Equipment  
and real  
property

Matching

Level of effort

Earmarking

Period of  
performance

Procurement

Program  
income

Reporting

Subrecipient  
monitoring

Special tests  
and provisions

# Schedule of Expenditure of Federal Awards

- Supplemental to the financial statements
- List individual Federal programs by Federal agency
- Total Federal awards expended for each individual Federal program and the CFDA number
- Subtotals by various U.S. Department, CFDA, Cluster

# When is a Single Audit Required?

- A non-federal entity that expends federal awards in excess of \$750,000 in their fiscal year is subject to an audit in accordance with the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements
  - 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards

# When is a Single Audit Required?

- Non-federal entities
  - Not-for-profit
  - Higher education
  - State or local government
- *Expend* federal awards in excess of \$750,000 in a single fiscal year – includes total of all federal awards (COVID and non-COVID related)
- For-profit – Program audit rather than a single audit

# Single Audit Reporting

- In most situations the single audit is required annually if expenditures continue exceed \$750,000
- A Data Collection Form is due to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditors' report or 9 months after the auditee's year end
- Global extensions are very possible due to delays in issuance of single audit guidance for COVID funding

# Single Audit Reporting

- Single Audit reporting package includes:
  - Audited financial statements
  - Schedule of expenditures of federal awards (SEFA)
  - Report on internal control over financial reporting – GAGAS
  - Report on compliance and internal control over compliance
  - Schedule of findings and questioned costs
  - Summary schedule of prior audit findings
  - Corrective action plan if findings were identified

# Provider Relief Funds

- Subject to terms and conditions
- Non-compliance are grounds for potential recoupment
- Guidance provided in FAQ

[www.hhs.gov/sites/default/files/provider-relief-fund-general-distribution-faqs.pdf](https://www.hhs.gov/sites/default/files/provider-relief-fund-general-distribution-faqs.pdf)

- **Important Term/Condition:** “The Recipient certifies that the Payment will only be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the Recipient only for health care related expenses or lost revenues that are attributable to coronavirus.”



DEPARTMENT OF HEALTH & HUMAN SERVICES

## Acceptance of Terms and Conditions

If you receive a payment from funds appropriated in the Public Health and Social Services Emergency Fund for provider relief (“Relief Fund”) under Division B of Public Law 116-127 and retain that payment for at least 30 days without contacting HHS regarding remittance of those funds, you are deemed to have accepted the following Terms and Conditions. Please also indicate your acceptance below. This is not an exhaustive list and you must comply with any other relevant statutes and regulations, as applicable.

Your commitment to full compliance with all Terms and Conditions is material to the Secretary’s decision to disburse these funds to you. Non-compliance with any Term or Condition is grounds for the Secretary to recoup some or all of the payment made from the Relief Fund.

These Terms and Conditions apply directly to the recipient of payment from the Relief Fund. In general, the requirements that apply to the recipient, also apply to subrecipients and contractors under grants, unless an exception is specified.

## Relief Fund Payment Terms and Conditions

- The Payment means the funds received from the Public Health and Social Services Emergency Fund (“Relief Fund”). The Recipient means the healthcare provider, whether an individual or an entity, receiving the Payment.
- The Recipient certifies that it billed Medicare in 2019, provides or provided after January 31, 2020 diagnoses, testing, or care for individuals with possible or actual cases of COVID-19; is not currently terminated from participation in Medicare; is not currently excluded from participation in Medicare, Medicaid, and other Federal health care programs; and does not currently have Medicare billing privileges revoked.
- The Recipient certifies that the Payment will only be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the Recipient only for health care related expenses or lost revenues that are attributable to coronavirus.
- The Recipient certifies that it will not use the Payment to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.
- The Recipient shall submit reports as the Secretary determines are needed to ensure compliance with conditions that are imposed on this Payment, and such reports shall be in such form, with such content, as specified by the Secretary in future program instructions directed to all Recipients.
- Not later than 10 days after the end of each calendar quarter, any Recipient that is an entity receiving more than \$150,000 total in funds under the Coronavirus Aid, Relief, and



# Provider Relief Funds

- PRF funds are to be used to prevent, prepare for or respond to COVID-19
- PRF use for 'healthcare related expenses attributable to coronavirus' may include:
  - supplies used to provide healthcare services for possible or actual COVID-19 patients;
  - equipment used to provide healthcare services for possible or actual COVID-19 patients;
  - workforce training;
  - developing and staffing emergency operation centers;
  - reporting COVID-19 test results to federal, state, or local governments;
  - building or constructing temporary structures to expand capacity for COVID-19 patient care or to provide healthcare services to non-COVID-19 patients in a separate area from where COVID-19 patients are being treated; and
  - acquiring additional resources, including facilities, equipment, supplies, healthcare practices, staffing, and technology to expand or preserve care delivery.
- Eligible health care related expenses attributable to coronavirus may occur prior to receiving PRF dollars as long as expenses were attributable to coronavirus and used to prevent, prepare for, and respond to coronavirus. HHS indicates it would be highly unusual expenses would be prior to Jan. 1, 2020.  
***---Refer to statute, terms/conditions, HHS PRF FAQs***



# Provider Relief Funds

- Generally, HHS provides the following related to “lost revenues”
  - *You may use any reasonable method of estimating the revenue during March and April 2020 compared to the same period had COVID-19 not appeared. For example, if you have a budget prepared without taking into account the impact of COVID-19, the estimated lost revenue could be the difference between your budgeted revenue and actual revenue. It would also be reasonable to compare the revenues to the same period last year.*
- HHS provides several examples of quantifying lost revenues:
  - Fewer outpatient visits
  - Canceled elective procedures or services
  - Increased uncompensated care
- PRF may be used for any cost that the lost revenue otherwise would have covered so long as that cost prevents, prepares for or responds coronavirus. To date, HHS listed five examples of those acceptable uses, such as employee payroll, benefits, mortgage etc.
- DHHS expected to issue and FAQ on calculation of lost revenue

Expenses that PRF can be used for are not limited to providing care to presumptive or actual coronavirus patients, but lost revenue must have been lost due to coronavirus. All uses must be to prepare, present or respond to COVID. Review statute, terms/conditions, HHS FAQs

# Recognizing Expenditures of Provider Relief Funds

- Proceeds of PRF should be deferred until qualifying expenditures have been made or applied against lost revenue
- As funds are expended they can be recognized for operations unless the organization has chosen to reflect as non-operating revenue
- PRF awards must be recognized as non-operating revenue for organizations following GASB
- Additional guidance on recognition is pending

# Recognizing Expenditures of Provider Relief Funds

- The approach to recognition of PRF qualifying expenditures will impact the timing of the single audit
- PRF payments cannot be used to reimburse expenses or losses that have been reimbursed by other sources (PPP)
- CLA recommends identifying and attributing qualifying expenditures to PRF receipts as timely as possible to when they are incurred

# Provider Relief Fund Single Audit Guidance

- Single audit requirements and guidance are found in the OMB Compliance Supplement as updated annually
- The 2020 annual update is expected in August, which will provide updates for existing and new programs other than COVID related
- Addendum addressing all COVID related programs is expected later in 2020

# Provider Relief Funds Single Audit Questions

My organization expended more than \$750k of federal funds. Will it require a single audit or a program audit?

- An organization that is required to receive a financial audit or that receives more than one federal award is required to receive a single audit. If a financial audit is not required and it only has expenditures from one federal award a program audit is allowed.



# Provider Relief Funds Single Audit Questions

If my organization can choose between the two types of audits, is there an advantage to one over the other?

There are multiple factors to consider:

- It might be considered more efficient to have a single audit if a financial audit is already performed due to certain procedures performed as part of the financial audit
- However, if a single audit is performed, the financial audit will need to be under Yellow Book
- This might be impacted by the users of the financial statements. A program audit would allow the financial audit to be performed and auditors' report issued as usual, with a separate report issued for the program audit.



# Provider Relief Funds Single Audit Questions

My organization's financial audit will need to be issued before the single audit guidance is expected to be available. What are my options?

- The single audit procedures can be performed and a separate single audit reporting package can be issued subsequent to the completion of the financial audit. There are some steps to allow this, such as performing the financial audit under Yellow Book, but with appropriate planning these two audits can be performed at different times.





# Provider Relief Funds Single Audit Questions

My organization has multiple entities that each received less than \$750k so would not require a single audit. However, the consolidated entity will exceed the \$750k expenditure threshold. Is an audit required?

- The general approach is that federal expenditures are evaluated at the consolidated level for an organization. However, this question has been brought to DHHS for clarification regarding COVID-19 awards.

# Provider Relief Funds Single Audit Questions

My organization is for-profit and does not currently receive a financial audit. Will I need to have one along with a single audit?

- 45 CFR § 75.216 provides options:
  - An audit of a particular award under Yellow Book if only one type of grant award was received (no financial statement audit)
  - If multiple awards received, an audit of all awards in accordance with Yellow Book (no financial statement audit)
  - Single audit (with financial statement audit)

## Provider Relief Funds Single Audit Questions

My organization receives a financial audit, but my auditor does not want to perform the single audit.

- A different audit firm can perform the single audit than performs the financial audit. Careful planning will need to be done to ensure this is done appropriately as the financial audit needs to be performed under yellow book requirements.

## Next Steps

- It is important to maintain accurate records related to any funding programs regardless of whether a single audit, program audit or neither are required. This information will be needed for reporting requirements under the various programs and is necessary for accurate financial reporting.
- Identify all federal awards received and related expenditures. This includes COVID-19 related as well as any other federal grants and loans.
- Discuss potential single audit requirements with your auditor or accountant – contact them early to avoid single audit or reporting surprises.

# We're Here to Help!

Single audit and reporting requirements for COVID-19 related awards continue to evolve. CLA will continue communicate information timely as it becomes available.

If you have questions on general requirements or specific to your organization we are here to help.



# PRF Latest Updates, FAQs

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# Fund Allocations To Date (Aug 3, 2020)

## Provider Relief Fund (Allocations as of August 3, 2020)

General	Medicaid/CHIP	Uninsured	Targeted Distributions
<p>First \$30 billion – went to providers/suppliers who received Medicare FFS reimbursement in 2019. Allocation formula: <math>(2019 \text{ FFS}/\\$484 \text{ B}) \times \\$30 \text{ B} = \text{expected distribution}</math>.</p> <p>Additional \$20 billion to these providers/suppliers based on revenues from cost report data on file with HHS.</p> <p>Combined these two distributions (Tranche 1 &amp; 2) are designed to add up to 2% of 2018 net revenues.</p> <p>Reopening applications Aug. 10-28 in two situations.</p>	<p>On June 9, HHS announced the release of \$15 billion to those that participate in Medicaid/CHIP, including managed care organizations.</p> <p>Providers had to submit annual patient revenue details to be considered for a distribution equal to at least 2% of reported gross revenues from patient care</p> <p>\$15 billion designated. Application deadline of August 28, 2020</p>	<p>These are claims-based reimbursements for dates of service or admittance on or after Feb. 4, 2020. Reimbursements will be made for qualifying testing for COVID-19 and treatment and services with a primary COVID-19 diagnosis. Full details at <a href="http://www.hrsa.gov/covid19/uninsuredclaim">www.hrsa.gov/covid19/uninsuredclaim</a></p>	<ul style="list-style-type: none"> <li>• <b>Rural Distributions (\$12B).</b> Rural hospitals (CAHs, rural PPS), Rural Health Clinics (RHC), &amp; Community Health Centers (CHC or FQHC) in rural areas received a distribution on May 10. Another \$1 billion was released on July 10 to 500 other special rural Medicare designation hospitals in urban areas and in small but non-rural communities.</li> <li>• <b>High Impact (\$22B – Round 1, 2).</b> Targeted at hospitals in areas heavily impacted by COVID. Using hospital-submitted data, HHS awarded Round 1 on May 1 to 395 hospitals that provided inpatient care for 100 or more COVID-19 patients through April 10. The distribution formula was based on a fixed amount per COVID-19 inpatient admission, with an additional amount (\$2 B total) distributed by taking into account those hospital's Medicare and Medicaid disproportionate share and uncompensated care payments. Round 2 was released on July 17 to 969 hospitals that had 161 COVID patients by June 10 and received \$50,000/patient</li> <li>• <b>Skilled Nursing Facilities (\$9.9B).</b> On May 21, HHS released \$4.9 billion to SNFs with at least 6 or more beds. Each SNF received \$50,000 plus \$2,500 per bed. On July 22, HHS announced an additional \$5 billion will be released, but eligible nursing homes must complete a 23-module training program</li> <li>• <b>Indian Health Services (\$500M).</b> On May 22, Indian Health Services, tribal, and urban Indian health programs, including IHS and Tribal hospitals received funds</li> <li>• <b>Safety Net Hospitals (\$12.8B).</b> On June 9, HHS announcing the release of \$10 billion to certain hospitals and on July 10, another \$3 billion was distributed. All total, 958 hospital received these funds.</li> <li>• <b>Dentists.</b> July 10, HHS announced dentists would be eligible for 2% of their annual reported patient revenue. Apply by August 28 using the Enhanced Provider Portal</li> </ul>

Each release of funds requires attesting/certifying to a set of terms and conditions



# PRF Applications: Recent Updates

- On July 31, HHS announced it would extend the application deadline for Medicaid/CHIP/Dental distributions until Aug. 28
- On July 31, HHS announced it would re-open the application portal for the General Distribution (Tranche 2) in two situations:
  - #1: Providers who received Tranche 1 but failed to apply for Tranche 2
  - #2: Providers with a change in ownership from 2019 to 2020 where 2020 owner did not receive Tranche 1 distribution
  - In both situations, applications will be accepted beginning Aug. 10-28

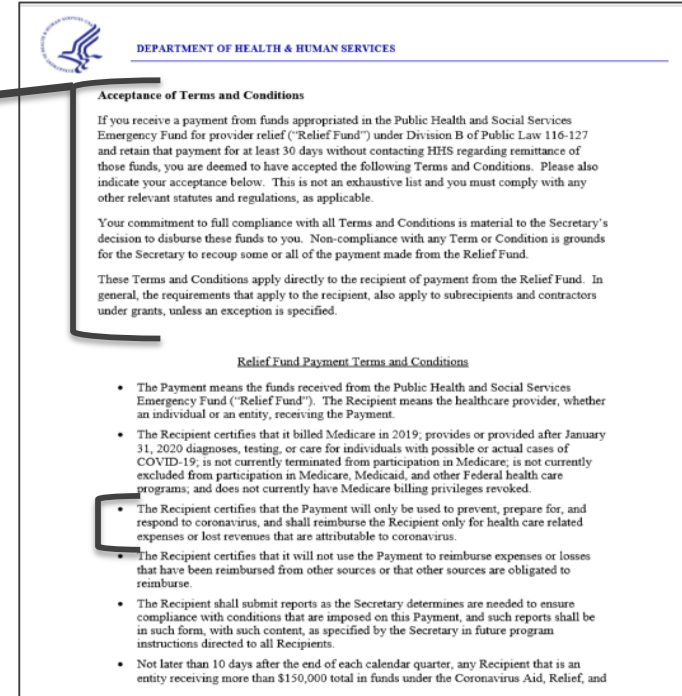





# Terms/Conditions (excerpts)

## Acceptance of Terms and Conditions

- If you receive a payment from funds appropriated in the Public Health and Social Services Emergency Fund for provider relief (“Relief Fund”) under Division B of Public Law 116-127 and *retain that payment for at least 30 days without contacting HHS regarding remittance of those funds, you are deemed to have accepted the following Terms and Conditions*. Please also indicate your acceptance below. This is not an exhaustive list and you must comply with any other relevant statutes and regulations, as applicable.
- **Important Term/Condition:** “The Recipient certifies that the Payment will only be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the Recipient only for health care related expenses or lost revenues that are attributable to coronavirus.”



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Your commitment to full compliance with all Terms and Conditions is material to the Secretary’s decision to disburse these funds to you. Non-compliance with any Term or Condition is grounds for the Secretary to recoup some or all of the payment made from the Relief Fund.

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**Relief Fund Payment Terms and Conditions**

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- The Recipient certifies that it billed Medicare in 2019; provides or provided after January 31, 2020 diagnoses, testing, or care for individuals with possible or actual cases of COVID-19; is not currently terminated from participation in Medicare; is not currently excluded from participation in Medicare, Medicaid, and other Federal health care programs; and does not currently have Medicare billing privileges revoked.
- The Recipient certifies that the Payment will only be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the Recipient only for health care related expenses or lost revenues that are attributable to coronavirus.
- The Recipient certifies that it will not use the Payment to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.
- The Recipient shall submit reports as the Secretary determines are needed to ensure compliance with conditions that are imposed on this Payment, and such reports shall be in such form, with such content, as specified by the Secretary in future program instructions directed to all Recipients.
- Not later than 10 days after the end of each calendar quarter, any Recipient that is an entity receiving more than \$150,000 total in funds under the Coronavirus Aid, Relief, and

**HHS extended attestation deadline to 90 days from date of receipt**

# Terms & Conditions? (excerpts)

- “The recipient certifies that it will not use the Payment to reimburse expenses or losses that have been reimbursed from other sources *or that other sources are obligated* to reimburse
  - No double dipping
- “The Recipient consents to the Department of Health and Human Services *publicly disclosing the Payment* that Recipient may receive from the Relief Fund. The Recipient acknowledges that such disclosure may allow some third parties to estimate the Recipient’s gross receipts or sales, program service revenue, or other equivalent information.
  - Public release of data
- “Shall maintain appropriate records and cost documentation including, as applicable, documentation required by **45 CFR § 75.302 – Financial management and 45 CFR § 75.361 through 75.365 – Record Retention and Access**, and other information required by future program instructions to substantiate the reimbursement of costs.
  - Documentation and record retention
- None of the funds appropriated shall be used to pay the salary of an individual, through a grant or other extramural mechanism, at a rate in excess of Executive Level II.
  - Federal pay level set at \$197,300 for 2020
- For all care for a presumptive or actual case of COVID-19...certifies that it will not seek to collect from the patient out-of-pocket expenses in an amount greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network Recipient.
  - No balance billing

# What We Know

Q: Is there the potential that HHS may recoup some of the PRF money?

A: Yes. HHS mentions recoupment multiple times throughout the terms/conditions as well as the FAQs.

*“HHS has not yet detailed how recoupment or repayment will work. However, the Terms and Conditions associated with payment require that the Recipient be able to certify, among other requirements, that it was eligible to receive the funds (e.g., provides or provided after January 31, 2020, diagnoses, testing, or care for individuals with possible or actual cases of COVID-19) and that the funds were used in accordance with allowable purposes (e.g., to prevent, prepare for, and respond to coronavirus)...Non-compliance with any Term or Condition is grounds for the Secretary to direct recoupment of some or all of the payments made.”*

HHS does say that it would not recoup based on the amount you received if you can demonstrate “lost revenues” and “health care expenses” attributable to COVID on that amount (assuming terms/conditions met)

## Key Takeaway

- Make sure you can track your “lost revenue and increased expenses” back to COVID and that you have this documented and it is reasonable/justifiable.
- Make sure you understand the terms/conditions applicable to the PRF funds you received

# What We Know

Q: Are PRF dollars subject to taxation?

A: Yes and no, depending on entity type.

***May a health care provider that receives a payment from the Provider Relief Fund exclude this payment from gross income as a qualified disaster relief payment under section 139 of the Internal Revenue Code (Code)? (Added 7/10/2020)*** No. A payment to a business, even if the business is a sole proprietorship, does not qualify as a qualified disaster relief payment under section 139. The payment from the Provider Relief Fund is includible in gross income under section 61 of the Code. For more information, visit the Internal Revenue Services' website at <https://www.irs.gov/newsroom/frequently-askedquestions-about-taxation-of-provider-relief-payments>.

***Is a tax-exempt health care provider subject to tax on a payment it receives from the Provider Relief Fund? (Added 7/10/2020)*** Generally, no. A health care provider that is described in section 501(c) of the Code generally is exempt from federal income taxation under section 501(a). Nonetheless, a payment received by a tax-exempt health care provider from the Provider Relief Fund may be subject to tax under section 511 if the payment reimburses the provider for expenses or lost revenue attributable to an unrelated trade or business as defined in section 513. For more information, visit the Internal Revenue Services' website at <https://www.irs.gov/newsroom/frequently-asked-questions-about-taxation-of-provider-relief-payments>.

-HHS, IRS FAQs released on July 10

## Key Takeaway

- For-profit entities are taxable, generally, not-for-profits are excluded from taxation

# What We Know

Q: What can I use the PRF dollars for?

A: Statutorily, the CARES Act and PPP & HCE Act provide a list of acceptable uses (exs: building or construction of temporary structures, medical supplies, PPE, testing supplies etc.), but it's not an exhaustive list. There is also a key term/condition: *"The Recipient certifies that the Payment will only be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the Recipient only for health care related expenses or lost revenues that are attributable to coronavirus."* On June 2, HHS released an FAQ related to this term/condition that indicates:

- Health care related expenses attributable to COVID cover items and services to prevent, prepare for, and respond to COVID:
  - supplies used to provide healthcare services for possible or actual COVID-19 patients;
  - equipment used to provide healthcare services for possible or actual COVID-19 patients;
  - workforce training;
  - developing and staffing emergency operation centers;
  - reporting COVID-19 test results to federal, state, or local governments;
  - building or constructing temporary structures to expand capacity for COVID-19 patient care or to provide healthcare services to non-COVID-19 patients in a separate area from where COVID-19 patients are being treated;
  - acquiring additional resources, including facilities, equipment, supplies, healthcare practices, staffing, and technology to expand or preserve care delivery
- Lost revenues attributable to COVID is any revenue lost due to coronavirus (exs: fewer outpatient visits, canceled elective procedures or services, or increased UC). PRF can be used to cover any cost that the lost revenue otherwise would have covered, so long as that cost prevents, prepares for, or responds to coronavirus. Specifically HHS "encourages" the use of funds to cover lost revenue so that providers can respond to the coronavirus by maintaining healthcare delivery capacity, including:
  - Employee or contractor payroll
  - Employee health insurance
  - Rent or mortgage payments
  - Equipment lease payments
  - Electronic health record licensing fees

## Key Takeaway

- Accurate and specific tracking of COVID funds is essential
- Evaluating how and if a desired use of these funds relates back to COVID
- Detailed reasoning and justification for your use of the funds based on your interpretation of HHS guidance
- Talk with your legal counsel if you have questions



# What We Don't Fully Know

Q: Are the PRF dollars a loan or a grant and how should providers classify PRF payments in terms of revenue type?

A: *"Retention and use of these funds are subject to certain terms and conditions. If these terms and conditions are met, payments do not need to be repaid at a later date..." -- HHS FAQ. "This is neither a loan nor a grant. This is a payment." -- HHS during Medicaid distribution webinar*

A: *"CMS will issue guidance about how Provider Relief Fund payments should be treated for purposes of uncompensated care and how it should be reported on cost reports." -- HHS FAQ*

## Your Takeaway:

- HHS specifically says funds may need to be repaid; therefore, CLA believes they should be viewed as a liability/deferred revenue/restricted since they can be recouped
- CLA awaits further guidance on exactly how to treat these dollars

# What We Don't Fully Know

Q: Are there reporting requirements?

A: Yes. There are several statutorily required and terms/conditions specific to this.

1. HHS has a catch-all reporting requirement that indicates recipients will be required to submit whatever HHS determines is needed to ensure compliance with terms/conditions.
2. For those who receive more than \$150,000 in funds combined between all COVID relief packages, a quarterly report is no longer required, per HHS FAQ (June 13), which states: *"Recipients of Provider Relief Fund payments do not need to submit a separate quarterly report to HHS or the Pandemic Response Accountability Committee...HHS will be requiring recipients to submit future reports relating to the recipient's use of its PRF money. HHS will notify recipients of the content and due date(s) of such reports in the coming weeks."*
3. On July 20, HHS released more information on these reporting requirements. Any recipient that receives **one or more payments exceeding \$10,000 (aggregate)** will need to file reports demonstrating compliance terms/conditions. The requirement applies to all the PRF distributions. Detailed PRF reporting instructions and a data collection template with the necessary data elements will be available through the HRSA website by August 17, 2020.
  - All recipients must report within 45 days of end of CY 2020 on expenditures through period ending Dec. 31, 2020.
  - Recipients who have expended funds in full prior to December 31, 2020 may submit a single final report at any time during the window that begins Oct. 1, 2020, but no later than Feb. 15, 2021.
  - Recipients with funds unexpended after Dec. 31, 2020, must submit a second and final report no later than July 31, 2021.

## Key Takeaway

- Anyone with \$10,000 or more will be required to report
- This reporting requirement establishes a deadline to use funds by July 31, 2021 (i.e.: a second, final report)
- Detailed tracking/categorization of lost revenues, PRF funds, use of funds and documentation/justification will be necessary for compliance



# What We Know

Q: Is there a deadline by which I must use my PRF dollars?

A: Yes. HHS released reporting requirements information which indicated a ***“second and final report no later than July 31, 2021”*** is due. Then on July 30, HHS released the following FAQs:

*...“As explained in the notice of reporting requirements on the Provider Relief Fund website, reports on the use of Provider Relief Fund money must be submitted no later than July 31, 2021, and accordingly HHS expects that providers will fully expend their payments by that date. HHS will provide directions in the future about how to return unused funds. HHS reserves the right to audit Provider Relief Fund recipients in the future and collect any Relief Fund amounts that were used inappropriately. All payment recipients must attest to the Terms and Conditions, which require the submission of documentation to substantiate that these funds were used for increased healthcare related expenses or lost revenue attributable to coronavirus.”*

## Your Takeaway:

- HHS expects funds to be used, not held onto.
- As you move through the weeks and months ahead, keep July 31, 2021 in sight for PRF use.





# Questions?

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

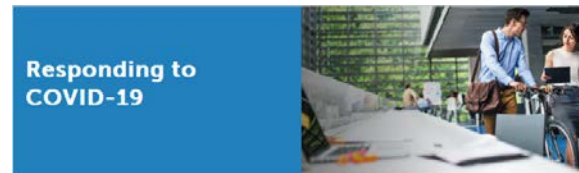
# CLA COVID-19 Resources

The CLA COVID-19 Information Hub was developed to provide ease of access to relevant and timely information in six categories.

CLA's HI<sup>2</sup> blog provides health care specifics information and insights on a host of issues.



<http://blogs.claconnect.com/healthcareinnovation>



Unforeseen disruptions — from the coronavirus (COVID-19) to natural disasters — can create many uncertainties. These resources can help you lay out a strategy to put your organization on its toes versus its heels.



Join our multipart livestream series on Tuesdays and Thursdays to engage in the latest changes related to these uncertain times. You'll hear strategies for navigating what these developments mean for you.



Watch a Livestream



<https://www.claconnect.com/COVID19>





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THANK YOU!

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